

103D CONGRESS
1ST SESSION

S. 193

To amend the Internal Revenue Code of 1986 to repeal the income taxation of corporations, to impose a 10 percent tax on the earned income (and only the earned income) of individuals, to repeal the estate and gift taxes, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 5), 1993

Mr. HELMS introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to repeal the income taxation of corporations, to impose a 10 percent tax on the earned income (and only the earned income) of individuals, to repeal the estate and gift taxes, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Flat Tax Act of 1993”.

5 **SEC. 2. REPEAL OF TAXATION OF CORPORATIONS.**

6 The following provisions of the Internal Revenue
7 Code of 1986 are hereby repealed:

1 (1) section 11 (relating to corporate income
2 tax),

3 (2) section 55 (relating to alternative minimum
4 tax) to the extent it applies to corporations,

5 (3) section 511 (relating to unrelated business
6 income tax),

7 (4) section 531 (relating to accumulated earn-
8 ings tax),

9 (5) section 541 (relating to personal holding
10 company tax),

11 (6) section 594 (relating to alternative tax for
12 certain mutual savings banks),

13 (7) section 801 (relating to tax imposed on life
14 insurance companies),

15 (8) section 831 (relating to tax on certain other
16 insurance companies),

17 (9) section 852 (relating to tax on regulated in-
18 vestment companies),

19 (10) section 857 (relating to tax on real estate
20 investment trusts), and

21 (11) section 882 (relating to tax on income of
22 foreign corporations connected with United States
23 business).

1 **SEC. 3. 10 PERCENT INCOME TAX RATE FOR INDIVIDUALS.**

2 Section 1 of the Internal Revenue Code of 1986 (re-
3 lating to tax imposed on individuals) is amended to read
4 as follows:

5 **“SECTION 1. TAX IMPOSED.**

6 “(a) IN GENERAL.—There is hereby imposed on the
7 income of every individual a tax equal to 10 percent of
8 the excess of the earned income of such individual for the
9 taxable year over the exemption amount for such year.

10 “(b) DEFINITIONS.—For purposes of this section—

11 “(1) EXEMPTION AMOUNT.—

12 “(A) IN GENERAL.—The term ‘exemption
13 amount’ means, for any taxable year, \$10,000
14 increased (for taxable years beginning after De-
15 cember 31, 1993) by an amount equal to
16 \$10,000 multiplied by the cost-of-living adjust-
17 ment for the calendar year in which the taxable
18 year begins.

19 “(B) COST-OF-LIVING ADJUSTMENT.—For
20 purposes of this paragraph—

21 “(i) IN GENERAL.—The cost-of-living
22 adjustment for any calendar year is the
23 percentage (if any) by which—

24 “(I) the CPI for October of the
25 preceding calendar year, exceeds

1 “(II) the CPI for October of
2 1992.

3 “(ii) CPI.—The term ‘CPI’ means the
4 last Consumer Price Index for all-urban
5 consumers published by the Department of
6 Labor.

7 “(C) ROUNDING.—If the increase deter-
8 mined under this paragraph is not a multiple of
9 \$10, such increase shall be rounded to the near-
10 est multiple of \$10 (or if such increase is a
11 multiple of \$5, such increase shall be increased
12 to the next highest multiple of \$10).

13 “(2) EARNED INCOME.—

14 “(A) IN GENERAL.—Except as provided in
15 subparagraph (B), the term ‘earned income’
16 means—

17 “(i) wages, salaries, and other em-
18 ployee compensation,

19 “(ii) the amount of the taxpayer’s net
20 earnings from self-employment for the tax-
21 able year, and

22 “(iii) the amount of dividends which
23 are from a personal service corporation or
24 which are otherwise directly or indirectly
25 compensation for services.

1 “(B) EXCEPTIONS.—The term ‘earned in-
2 come’ does not include—

3 “(i) any amount received as a pension
4 or annuity, or

5 “(ii) any tip unless the amount of the
6 tip is not within the discretion of the serv-
7 ice-recipient.

8 “(C) FRINGE BENEFITS VALUED AT EM-
9 PLOYER COST.—The amount of any fringe ben-
10 efit which is included as earned income shall be
11 the cost to the employer of such benefit.”.

12 **SEC. 4. REPEAL OF SPECIAL DEDUCTIONS, CREDITS, AND**
13 **EXCLUSIONS FROM INCOME FOR INDIVID-**
14 **UALS.**

15 Chapter 1 of the Internal Revenue Code of 1986 is
16 amended by striking out all specific exclusions from gross
17 income, all deductions, and all credits against income tax
18 to the extent related to the computation of individual in-
19 come tax liability.

20 **SEC. 5. REPEAL OF ESTATE AND GIFT TAXES.**

21 Subtitle B of the Internal Revenue Code of 1986 (re-
22 lating to estate, gift, and generation-skipping taxes) is
23 hereby repealed.

1 **SEC. 6. EFFECTIVE DATES.**

2 (a) IN GENERAL.—Except as provided in subsection
3 (b), the amendments made by this Act shall apply to tax-
4 able years beginning after the date of the enactment of
5 this Act.

6 (b) REPEAL OF ESTATE AND GIFT TAXES.—The re-
7 peal made by section 5 shall apply to estates of decedents
8 dying, and transfers made, after the date of the enactment
9 of this Act.

10 (c) TECHNICAL AND CONFORMING CHANGES.—The
11 Secretary of the Treasury or his delegate shall, as soon
12 as practicable but in any event not later than 90 days
13 after the date of the enactment of this Act, submit to the
14 Committee on Ways and Means of the House of Rep-
15 resentatives a draft of any technical and conforming
16 changes in the Internal Revenue Code of 1986 which are
17 necessary to reflect throughout such Code the changes in
18 the substantive provisions of law made by this Act.

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